"A COMPARATIVE STUDY OF INCOME TAX EVASION AND AVOIDANCE "- A CASE STUDY OF MUMBAI AND NANDED DISTRICTS.

SYNOPSIS SUBMITTED TO

SWAMI RAMANAND TEERTH MARATHWADA UNIVERSITY

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SUBMITTED BY

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INTRODUCTION:-

The first book on economics in the world Kautilaya's Arthashashtra saying that, the best taxation system is the one which is "liberal in assessment and ruthless in collection". In India, most of the persons do not pay their taxes. They try to avoid this by some illegal means or by taking the benefit of some loopholes in the Indian tax system. Tax evasion is the term for the efforts by individuals, corporate, trusts and other entities to evade taxes by illegal means.

TAX EAVSION DEFINITAION:-

"**Tax evasion** is an illegal practice where a person, organization or corporation intentionally avoids paying his/her/it's true tax liability. Those caught evading taxes are generally subject to criminal charges and substantial penalties Tax evasion is the general term for efforts to not pay taxes by illegal means".

Tax evasion is the illegal evasion of taxes by individuals, corporations, and trusts. Tax evasion often entails taxpayers deliberately misrepresenting the true state of their affairs to the tax authorities to reduce their tax liability and includes dishonest tax reporting, such as declaring less income, profits or gains than the amounts actually earned, or overstating deductions.

Tax evasion is an activity commonly associated with the informal economy. One measure of the extent of tax evasion (the "tax gap") is the amount of unreported income, which is the difference between the amount of income that should be reported to the tax authorities and the actual amount reported. In contrast, tax avoidance is the legal use of tax laws to reduce one's tax burden. Both tax evasion and avoidance can be viewed as forms of tax noncompliance, as they describe a range of activities that intend to subvert a state's tax system, although such classification of tax avoidance is not indisputable, given that avoidance is lawful, within self-creating system.

DEFINITION OF TAX AVOIDANCE: -

Tax avoidance is the legal usage of the tax regime in a single territory to one's own advantage to reduce the amount of tax that is payable by means

that are within the law. Tax avoidance is generally the legal exploitation of the tax regime to one's own advantage, to attempt to reduce the amount of tax that is payable by means that are within the law whilst making a full disclosure of the material information to the tax authorities. Examples of tax avoidance involve using tax deductions, changing one's business structure through incorporation or establishing an offshore company in a tax haven.

Tax avoidance is the legitimate minimizing of taxes, using methods included in the tax code. Businesses avoid taxes by taking all legitimate deductions and by sheltering income from taxes by setting up employee retirement plans and other means, all legal and under the Internal Revenue Code or state tax code.

Differences between Tax Avoidance and Tax Evasion:-

Tax avoidance is generally the legal exploitation of the tax regime to one's own advantage, to attempt to reduce the amount of tax that is payable by means that are within the law whilst making a full disclosure of the material information to the tax authorities. Examples of tax avoidance involve using tax deductions, changing one's business structure through incorporation or establishing an offshore company in a tax haven.

By contrast tax evasion is the general term for efforts by individuals, firms, trusts and other entities to evade the payment of taxes by illegal means. Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability, and includes, in particular, dishonest tax reporting (such as under declaring income, profits or gains; or overstating deductions).

Tax avoidance may be considered as either the amoral dodging of one's duties to society, part of a strategy of not supporting violent government activities or just the right of every citizen to find all the legal ways to avoid paying too much tax. Tax evasion, on the other hand, is a crime in almost all countries and subjects the guilty party to fines or even imprisonment. Switzerland is one notable exception: tax fraud (forging documents, for example) is considered a crime, tax evasion (like under declaring assets) is not.

Tax resistance is the refusal to pay the tax for conscientious reasons (because they do not want to support the government or some of its activities), sometimes breaking the law to do so. Some donate their unpaid taxes to charity, while others (at least in the US) take creative "deductions" such as not paying a percentage of tax equal to the defence budget. In either case, they typically do not take the position that the tax laws are themselves illegal or do not apply to them (as tax protesters do) and they are more concerned with not paying for what they oppose than they are motivated by the desire to keep more of their money (as tax evaders typically are). Some have suggested the term tax avoidance for people who adopt the techniques of tax avoidance in the service of tax resistance, thereby doing tax resistance legally.

Reason for selecting the Topic of Research:-

In the India there are some of avenues for tax evasion and tax avoidance and the maximum revenue received to income tax department (CBDT) from income tax but due tax evasion and tax avoidance government cannot earn entire revenue and it is harmful to government and Indian economy and it is very essentials term the government for development . Therefore I have selected this subject for Research purpose and I feel this topic more helpful to income tax department for getting entire revenue from income tax.

Objectives of the Study:-

1) Highlighting reason for evasion.
2) Understanding Causes of tax avoidance.
3) Extrapolating tax evasion and tax avoidance in Mumbai and Nanded Districts.
4) Suggestion and Remedial to Overcomes tax evasion and avoidance by Assesses.

Hypothesis of the Study:-

Researcher has tested following statements of hypothesis through this study.

1) Tax Evasion is due to Faulty tax System.
2) Tax evasion and avoidance is due to loopholes in tax system.
3) Tax evasion due to Corruption System

4) Tax evasion and Avoidance percentages is more in Mumbai District as compare to Nanded District

Research Methodology:-

Research Methodology will be based on with the following Information.

Primary Data:-

Primary data for the Research work has been collected from the Income tax Department in Mumbai and Nanded Districts. Information has been collected by the Income tax Department through Questionnaire, viva, observation and interview.

Secondary Data:-

Secondary data for this Research has been collected from books, income tax department's reports, various tax magazines and news papers, Published articles tax Practitioners etc.

Method of sampling Selection:-

For this Research Purposive sampling method will be used which is a part of Non probability sampling. Multiple cases will be used for this Research.

Population of study: - Mumbai and Nanded Districts.

Sampling technique: - Purposive Sampling.

Sample size: - Range meanwhile 300-500

Research Method: - Survey Method will be used as far as Possible and depending upon Requirement of research.

Scope of the Study:-

1) Confirmed to Individual Assess Only

2) Will be confirmed to Mumbai and Nanded District Only.

3) Enhance Collection of tax Revenue.

Limitation of the Study:-

1) This research limited to Mumbai and Nanded Districts.

2) The finding of the study will not Applicable to overall India.

CHAPTER SCHEME:-

CHAPATER 1: INTRODUCTION

In the first chapter brief introduction and meaning of tax evasion and tax avoidance. It includes statement of the objectives. Review of literature also will be discussed in this chapter.

CHAPTER 2: TAX EVASION AND AVOIDANCE THEROTICAL APPROACH

In this topic discuss features and types of tax evasion and avoidance.

CHAPTER 3: RESEARCH METHODOLOGY

In this topic elaborate about Research Methodology

CHAPTER 4: TAX EVASION AND TAX AVOIDANCE OF INCOME TAX IN MUMBAI AND NANDED DISTRICTS

In this chapter discuss actual position if tax evasion and avoidance in Mumbai and Nanded districts and elaborate tax evasion and avoidance different causes and effects

CHAPTER 5: COLLECTION, INTERPREATION AND EVALUATION OF DATA

In this topic discuss about data collection, interpretation and evaluation.

CHAPTER 6: RESULT AND DISCUSSION

In this topic discuss research result and discussion.

CHAPTER 7: CONCLUSION, SUGGESTION AND RECOMMENDATIONS.

In this chapter will summarize conclusion and recommendations of the study.

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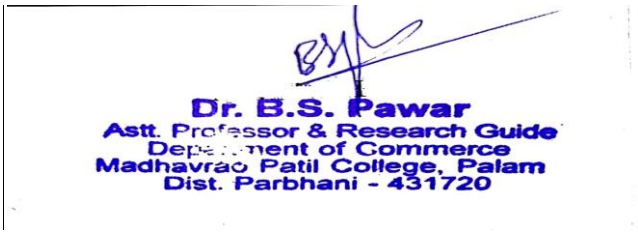

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